

***City of Shreveport City Court
Shreveport, Louisiana***

Financial Statements With Auditors' Report

As of and For the Year Ended December 31, 2011

City of Shreveport City Court
Shreveport, Louisiana

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Independent Auditors' Report

City of Shreveport City Court
Shreveport, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Shreveport City Court, a component unit of the City of Shreveport, as of and for the year ended December 31, 2011, which collectively comprise the City of Shreveport City Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Shreveport City Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Shreveport City Court as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2012, on our consideration of the City of Shreveport City Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages and 3 through 7 and on pages 22 -- 23, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Cook & Morehart
Certified Public Accountants
July 9, 2012

CITY OF SHREVEPORT CITY COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Shreveport City Court's financial performance provides an overview of the City Court's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the City's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The City Court's net assets increased by \$99,267 or 2%.

The City Court's total program revenues were \$884,501 in 2011 compared to \$781,295 in 2010.

During the year ended December 31, 2011, the City Court had total expenses, excluding depreciation, of \$715,005, compared to \$561,134 in 2010.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8 and 9) provide information about the activities of the City Court as a whole. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City Court's operations in more detail than the government-wide statements by providing information about the City Court's most significant funds. The remaining statements provide financial information about activities for which the City Court acts solely as a trustee or agent for the benefit of those outside of the City Court. The City Court judges are independently elected officials. However, the City Court is fiscally dependent on the City of Shreveport for office space, courtrooms, and related utility costs, as well as substantially all funding of salary and related employee benefit costs. Because the City Court is fiscally dependent on the City of Shreveport, the City Court was determined to be a component unit of the City of Shreveport. The accompanying financial statements present information only on the funds maintained by the City Court.

Reporting the Funds Maintained by the City Court as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the funds maintained by the City Court as a whole begins on page 8. One of the most important questions asked about the City Court's finances is "Is the City Court as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the City Court as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City Court's *net assets* and changes in them. You can think of the City Court's net assets – the difference between assets and liabilities – as one way to measure the City Court's financial health, or *financial position*. Over time, *increases* or *decreases* in the City Court's net assets are one indicator of whether its *financial health* is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, we record the funds maintained by the City Court as governmental activities:

Governmental activities – all of the expenses paid from the funds maintained by the City Court are reported here which consists primarily of certain materials and supplies, travel, repairs and maintenance and other program services. These represent expenses not paid out of the City of Shreveport's budget for judicial expenses. Fines, fees for services and interest income finance most of these activities.

Reporting the Most Significant Funds Maintained by the City Court

Our analysis of the major funds maintained by the City Court begins on page 10. The fund financial statements begin on page 10 and provide detailed information about the most significant funds maintained by the City Court – not the City Court as a whole. However, the City Court establishes other funds to help it control and manage money for particular purposes (like the probation fund) to show that it is meeting legal responsibilities for using certain fees. The City Court's *governmental funds* use the following accounting approaches.

Governmental funds – All of the City Court's expenses are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City Court's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain City Court expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

The City Court as Trustee

The City Court is the trustee, or *fiduciary*, for its civil division, traffic violation bureau, and a portion of the small claims fund. All of the City Court's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 12. We exclude these activities from the City Court's other financial statements because the City Court cannot use these assets to finance its operations. The City Court is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE FUNDS MAINTAINED BY THE CITY COURT AS A WHOLE

The City Court's total net assets changed from a year ago, increasing from \$5,479,853 to \$5,579,120. In comparison, last year net assets increased \$164,629. Our analysis below will focus on key elements of the total governmental funds for the 2011 and 2010 years.

Table 1
Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Current assets	\$ 5,340,846	\$ 5,439,409
Capital assets	266,704	300,782
Total assets	<u>5,607,550</u>	<u>5,740,191</u>
Current liabilities	<u>28,430</u>	<u>260,338</u>
Net Assets		
Investment in capital assets	266,704	300,782
Restricted	1,913,209	1,751,664
Unrestricted	3,399,207	3,427,407
Total net Assets	<u>\$ 5,579,120</u>	<u>\$ 5,479,853</u>

Net assets of the funds maintained by the City Court's governmental activities increased by \$99,267 or 2%. Unrestricted net assets, the part of net assets that can be used to finance City Court expenses without constraints or other legal requirements decreased by \$28,200 from \$3,427,407 at December 31, 2010 to \$3,399,207 at December 31, 2011.

Table 2
Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Revenues		
Programs Revenues:		
Charges for Service, Fines and Fees	\$884,501	\$781,295
Interest income	10,567	16,381
Miscellaneous income		12,909
Total revenues	<u>895,068</u>	<u>810,585</u>
Expenses		
General governmental - judicial	<u>795,801</u>	<u>645,956</u>
Increase in net assets	<u>\$ 99,267</u>	<u>\$ 164,629</u>

For the funds maintained by the City Court, total revenues increased \$84,483, or 10%, from total revenues in 2010 of \$810,585 to total revenues of \$895,068 in 2011. For the funds maintained by the City Court, program revenues increased \$103,206, or 13%, from program revenue in 2010 of \$781,295 to program revenue of \$884,501 in 2011.

FUNDS MAINTAINED BY THE CITY COURT

For the funds maintained by the City Court, the governmental funds (as presented on pages 10–11) reported a combined fund balance of \$5,308,366 which is an increase of \$133,345 from last year.

Budgetary Highlights

The City Court adopted a budget for its General Fund and special revenue funds for the year ended December 31, 2011. There were four amendments to the budget during the year. The City Court's budgetary comparison is presented as required supplementary information and shown on pages 22 and 23. Highlights for the year are as follows:

- Expenditures were under budget due to lower than expected legal and postage expenses.

CAPITAL ASSETS

At the end of 2011, the City Court had invested \$266,704 in capital assets from those funds maintained by the City Court. (see table 3 below)

**Table 3
Capital Assets At Year End**

	Governmental Activities 2011	Governmental Activities 2010
Computer equipment	\$ 35,046	\$ 55,631
Office equipment	52,621	34,379
Office furniture and improvements	168,225	199,960
Vehicles	10,812	10,812
Total	<u>\$266,704</u>	<u>\$300,782</u>

This year's major additions included:

Computer equipment	\$ 1,250	\$ 3,519
Office equipment	45,468	
Office furniture and improvements		5,261
Total	<u>\$ 46,718</u>	<u>\$ 8,780</u>

More detail information about the capital assets are presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City Court's elected judges and appointed officials considered many factors when setting a fiscal year 2012 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same as the revenues available in 2011.

It is anticipated that the governmental funds' fund balance will increase modestly by the close of 2012. For those funds maintained by the City Court, the City Court will use those revenues for program costs which are not budgeted by the City of Shreveport for the City Court. The City Court has added *no major new programs or initiatives to be funded in 2012.*

CONTACTING THE CITY COURT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the City Court and to show the City Court's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Shreveport City Court, Clerk of Court, Judicial Administrators' office at 1244 Texas Avenue, Shreveport, Louisiana 71101.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Net Assets
December 31, 2011

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 5,188,854
Investments	100,000
Accounts receivable	47,942
Prepaid expenses	<u>4,050</u>
Total current assets	<u>5,340,846</u>
Capital assets (net)	<u>266,704</u>
Total assets	<u>5,607,550</u>
 LIABILITIES	
Accounts payable	<u>28,430</u>
Total current liabilities	<u>28,430</u>
 NET ASSETS	
Investment in capital assets	266,704
Restricted for:	
Probation	1,902,136
Pro Bono	11,073
Unrestricted	<u>3,399,207</u>
Total net assets	<u><u>\$ 5,579,120</u></u>

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Activities
For the Year Ended December 31, 2011

	Functions / Programs			
	Total	Judicial	Probation	Pro Bono
<u>GOVERNMENTAL ACTIVITIES</u>				
Expenses:				
Materials and supplies	\$ 46,939	\$ 40,140	\$ 6,799	\$
Travel	46,231	46,231		
Depreciation	80,796	67,807	12,989	
Other program services	621,835	615,316	6,519	
Total expenses	795,801	769,494	26,307	
Program revenues:				
Charges for services - fines and fees	884,501	709,981	173,333	1,187
Net program revenue (expenses)	88,700	(59,513)	147,026	1,187
General revenues:				
Interest income	10,567			
Total general revenues	10,567			
Change in net assets	99,267			
Net assets - beginning	5,479,853			
Net assets - ending	\$ 5,579,120			

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Balance Sheet
Governmental Funds
December 31, 2011

	Major Funds		Non-Major Fund	
	General	Other Governmental - Probation	Other Governmental - Pro Bono	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,290,064	\$ 1,887,717	\$ 11,073	\$ 5,188,854
Investments	100,000			100,000
Accounts receivable	31,523	16,419		47,942
Total assets	<u>\$ 3,421,587</u>	<u>\$ 1,904,136</u>	<u>\$ 11,073</u>	<u>\$ 5,336,796</u>
Liabilities				
Accounts payable	\$ 26,430	\$ 2,000	\$	\$ 28,430
Total liabilities	<u>26,430</u>	<u>2,000</u>		<u>28,430</u>
Fund balances				
Restricted				
Probation		1,902,136		1,902,136
Pro Bono			11,073	11,073
Unassigned	3,395,157			3,395,157
Total fund balances	<u>3,395,157</u>	<u>1,902,136</u>	<u>11,073</u>	<u>5,308,366</u>
Total liabilities and fund balances	<u>\$ 3,421,587</u>	<u>\$ 1,904,136</u>	<u>\$ 11,073</u>	

Amounts reported for governmental activities in the statement of activities are different because:

The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.

4,050

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

266,704

Net assets of governmental activities

\$ 5,579,120

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	Major Funds		Non-Major Fund	
	General	Other Governmental - Probation	Other Governmental - Pro Bono	Total Governmental Funds
Revenues:				
Charges for services - fees and fines	\$ 691,215	\$ 173,333	\$ 1,187	\$ 865,735
Interest income	8,223	2,330	14	10,567
Miscellaneous income	18,766			18,766
Total revenues	<u>718,204</u>	<u>175,663</u>	<u>1,201</u>	<u>895,068</u>
Expenditures:				
Current:				
General government:				
Operating services	615,315	4,395		619,710
Materials and supplies	40,140	8,924		49,064
Travel and other charges	46,231			46,231
Capital outlay	44,718	2,000		46,718
Total expenditures	<u>746,404</u>	<u>15,319</u>		<u>761,723</u>
Excess of revenues over (under) expenditures	(28,200)	160,344	1,201	133,345
Fund balances at beginning of year	<u>3,423,357</u>	<u>1,741,792</u>	<u>9,872</u>	<u>5,175,021</u>
Fund balances at end of year	<u>\$ 3,395,157</u>	<u>\$ 1,902,136</u>	<u>\$ 11,073</u>	<u>\$ 5,308,366</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$ 133,345
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$80,796) exceeded capital outlays (\$46,718) in the current period.	<u>(34,078)</u>
Change in net assets of governmental activities	<u>\$ 99,267</u>

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 2,088,806
Investments	<u>352,147</u>
Total assets	<u><u>\$ 2,440,953</u></u>
 Liabilities	
Unsettled deposits due to others	<u>\$ 2,440,953</u>
Total liabilities	<u><u>\$ 2,440,953</u></u>

See accompanying notes to the basic financial statements.

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2011

INTRODUCTION

The City of Shreveport City Court represents the court system for the City of Shreveport. It is governed by the four independently elected judges from the four divisions of the City of Shreveport. The City Court maintains certain funds comprised of fines and fees collected which are authorized by various state statutes.

(1) Summary of Significant Accounting Policies

The City of Shreveport City Court's financial statements are prepared in conformity with governmental accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. The more significant accounting policies established in GAAP and used by the City Court are discussed below.

A. Reporting Entity

The City Court judges are independently elected officials. However, the City Court is fiscally dependent on the City of Shreveport for office space, courtrooms, related utility costs, insurance, and substantially all salary and related employee benefit costs. Because the City Court is fiscally dependent on the city, the City Court was determined to be a component unit of the City of Shreveport, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the City Court and do not present information on the City of Shreveport, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The City Court's basic financial statements include both government-wide (reporting the funds maintained by the City Court as a whole) and fund financial statements (reporting the City Court's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City Court's cost account, criminal account, probation account, and pro bono account are classified as governmental activities. The City Court does not have any business-type activities. The government-wide statements include all funds of the City Court except for fiduciary funds.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables. The City Court's net assets are reported in three parts – invested in capital assets, restricted, and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the City Court's functions. The functions are also supported by general government revenues (interest income). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which must be directly associated with the function. Program revenues included in the Statement of Activities are derived directly from Court users as a fee

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City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

for services. The net costs (by function) are normally covered by general revenue (interest income). This government-wide focus is more on the sustainability of the City Court as an entity and the change in the City Court's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City Court are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City Court:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City Court:
 - a. General funds are the general operating funds of the City Court. They are used to account for all financial resources except those required to be accounted for in another fund. *Included in the City Court's general funds are the Cost Account and Criminal fund.*
 - b. The special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. *The special revenue funds of the City Court are the Probation fund and Pro Bono fund.*
2. Fiduciary funds – Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City Court programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City Court's general funds (cost and criminal funds) and the Probation fund are reported as major funds in the fund financial statements.

The City Court's fiduciary funds are presented in the fiduciary fund financial statements by type. The only fiduciary funds of the City Court are agency funds, consisting of the Civil Division fund, Traffic Violations Bureau fund, and the Small Claims fund. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental funds in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the City Court consist principally of interest income and fines and fees for services relating to court filings. Interest income is recorded when earned. Fines and fees for services are recorded when received in cash because they are generally not measurable until actually received.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Depreciation is not recognized in the governmental fund financial statements.

E. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less when purchased. Under state law, the City Court may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the City's investment policy. If the original maturities of investments exceed ninety (90) days, they are classified as investments; however, if the original maturities are ninety (90) days or less, they are classified as cash equivalents.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

F. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Computer equipment	5 years
Office equipment	5–15 years
Office furniture and improvements	7–20 years

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as *restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City Court or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.* The Court's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Fund Balance

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
2. Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the City Court judges (the City Court's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the judges remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. Assigned fund balances are amounts that are constrained by the Court's intent to be used for specific purposes, but are neither restricted nor committed.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

5. Unassigned fund balance are the residual classification for the Court's general fund and include all spendable amounts not contained in the other classifications.

The Court's policy is to apply expenditures against nonspendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

I. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(2) Budgets

The City Court uses the following budget practices:

1. The Judicial Administrator prepares an operating budget for the general funds and each special revenue fund.
2. The budget is available for public inspection prior to adoption.
3. The budget is adopted by the four independently elected judges.
4. The budget may be revised during the year.
5. Appropriations lapse at the end of each fiscal year.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

(3) Cash, Cash Equivalents, and Investments

At December 31, 2011, the City Court has cash, cash equivalents, and investments (book balances) totaling \$7,729,807 as detailed below.

A. Cash and Cash Equivalents

Petty cash	\$ 40
Demand deposits	7,195,091
Certificates of deposits	<u>82,529</u>
	<u>\$ 7,277,660</u>

Reconciliation to government-wide Statement of Net Assets:

Cash and cash equivalents	\$ 5,188,854
Agency funds (not on government-wide statements)	<u>2,088,806</u>
	<u>\$ 7,277,660</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank.

B. Investments

At December 31, 2011, the City had investments totaling \$452,147 as follows:

Certificates of Deposit	<u>\$ 452,147</u>
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Reconciliation to government-wide Statement of Net Assets:

Certificates of Deposits	\$ 100,000
Agency funds (not on government-wide statements)	<u>352,147</u>
	<u>\$ 452,147</u>

The certificates of deposit have initial maturities greater than 90 days and are carried at cost, which approximates market.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City Court does not have a deposit policy for custodial credit risk. As of December 31, 2011, \$6,811,037 of the government's bank balance of \$7,743,567 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the City Court's name	<u>\$ 6,811,037</u>
--	---------------------

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the clerk that the fiscal agent has failed to pay deposited funds upon demand.

(4) Leases

The City Court leases certain equipment under operating leases. Rental costs on those leases for the year ended December 31, 2011, were \$20,767.

Commitments under lease agreements having initial remaining terms in excess of one year are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2012	\$ 20,767
2013	12,027
2014	11,232
2015	<u>11,232</u>
Total minimum future rentals	<u>\$ 55,258</u>

(5) Changes in Agency Fund Balances

A summary of changes in agency funds follows:

	<u>Balance at</u> <u>Jan. 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>Dec. 31, 2011</u>
Civil Division	\$ 1,622,648	\$ 1,158,843	\$ 1,060,165	\$ 1,721,326
Violations Bureau	208,550	2,613,046	2,620,587	201,009
Small Claims	<u>513,583</u>	<u>238,111</u>	<u>233,076</u>	<u>518,618</u>
	<u>\$ 2,344,781</u>	<u>\$ 4,010,000</u>	<u>\$ 3,913,828</u>	<u>\$ 2,440,953</u>

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

(6) Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance at Jan. 1, 2011	Additions	Deletions	Balance at Dec. 31, 2011
Governmental Activities:				
Computer equipment	\$ 212,858	\$ 1,250	\$ (2,216)	\$ 211,892
Office equipment	154,473	45,468	(600)	199,341
Office furniture and improvements	597,833	—	—	597,833
Vehicles	38,160	—	—	38,160
Totals at historical cost	<u>1,003,324</u>	<u>46,718</u>	<u>(2,816)</u>	<u>1,047,226</u>
Less accumulated depreciation:				
Computer equipment	(157,227)	(21,835)	2,216	(176,846)
Office equipment	(120,094)	(27,226)	600	(146,720)
Office furniture and improvements	(397,873)	(31,735)	—	(429,608)
Vehicles	(27,348)	—	—	(27,348)
Total accumulated depreciation	<u>(702,542)</u>	<u>(80,796)</u>	<u>2,816</u>	<u>(780,522)</u>
Governmental activities capital assets, net	<u>\$ 300,782</u>	<u>\$ (34,078)</u>	<u>\$ —</u>	<u>\$ 266,704</u>

Depreciation expense was charged to Governmental Activities as follows:

Judicial expenses	\$ 67,807
Probation	<u>12,989</u>
	<u>\$ 80,796</u>

(7) Risk Management

The City of Shreveport purchases commercial insurance to provide workers compensation and general liability and property insurance for the City Court. There were no significant reductions in insurance coverage from the previous year.

(8) Expenditures of the City Court Paid by the City of Shreveport

The City of Shreveport provides office space, courtrooms, related utility costs, insurance, and substantially all salary and related employee benefit costs. No amounts have been recognized in the accompanying financial statements for expenditures paid by the City of Shreveport.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

(9) Contingencies

The City Court is the defendant in several lawsuits of which the ultimate outcome is unknown at this time. In the opinion of legal counsel, the amount of any damages awarded in excess of insurance coverage cannot be reasonably estimated at this time.

(10) Subsequent Events

Subsequent events have been evaluated through July 2, 2012, the date the financial statements were available to be issued.

City of Shreveport City Court
Shreveport, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance-
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Revenues:				
Charges for services -				
fees and fines	\$ 630,000	\$ 695,657	\$ 691,215	\$ (4,442)
Interest income	11,700	8,700	8,223	(477)
Miscellaneous income	6,000	11,000	18,766	7,766
Total revenues	<u>647,700</u>	<u>715,357</u>	<u>718,204</u>	<u>2,847</u>
Expenditures:				
Current:				
General government:				
Operating services	285,890	905,050	615,315	289,735
Materials and supplies	80,000	50,500	40,140	10,360
Travel and other charges	50,000	50,000	46,231	3,769
Capital outlay	1,000	5,500	44,718	(39,218)
	<u>416,890</u>	<u>1,011,050</u>	<u>746,404</u>	<u>264,646</u>
Excess of revenues over expenditures	230,810	(295,693)	(28,200)	267,493
Fund balances at beginning of year			<u>3,423,357</u>	<u>3,423,357</u>
Fund balances at end of year	<u>\$ 230,810</u>	<u>\$ (295,693)</u>	<u>\$ 3,395,157</u>	<u>\$ 3,690,850</u>

City of Shreveport City Court
Shreveport, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Probation Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance-
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
Revenues:				
Charges for services -				
fees and fines	\$ 160,000	\$ 167,000	\$ 173,333	\$ 6,333
Interest income	4,000	2,200	2,330	130
Total revenues	<u>164,000</u>	<u>169,200</u>	<u>175,663</u>	<u>6,463</u>
Expenditures:				
Current:				
General government:				
Operating services	1,600	2,250	4,395	(2,145)
Materials and supplies	5,200	14,520	8,924	5,596
Travel and other charges	900			
Capital Outlay			2,000	(2,000)
Total expenditures	<u>7,700</u>	<u>16,770</u>	<u>15,319</u>	<u>1,451</u>
Excess of revenues				
over expenditures	156,300	152,430	160,344	7,914
Fund balances at beginning of year			1,741,792	1,741,792
Fund balances at end of year	<u>\$ 156,300</u>	<u>\$ 152,430</u>	<u>\$ 1,902,136</u>	<u>\$ 1,749,706</u>

City of Shreveport City Court
Shreveport, Louisiana
Notes to Required Supplementary Information
December 31, 2011

The City Court's budget is adopted on the modified accrual basis for all funds. There were four amendments to the 2011 budget. Budget comparison statements included in the accompanying financial statements include the original and final amended budgets.

COOK & MOREHART

Certified Public Accountants

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards

City of Shreveport City Court
Shreveport, Louisiana

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Shreveport City Court as of and for the year ended December 31, 2011, which collectively comprise the City of Shreveport City Court's basic financial statements, and have issued our report thereon dated July 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Shreveport City Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Shreveport City Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Shreveport City Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Shreveport City Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying corrective action plan for current year audit findings schedule as items 2011-1 and 2011-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Shreveport City Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Shreveport City Court's response to the findings identified in our audit is described in the accompanying corrective action plan for current year audit findings. We did not audit the City of Shreveport City Court's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
July 9, 2012

City of Shreveport City Court
Shreveport, Louisiana
Schedule for Louisiana Legislative Auditor
December 31, 2011

Summary Schedule of Prior Audit Findings

There were six findings in the prior audit for the year ended December 31, 2010, as follows:

Reference No.: 2010-1

**Description of Significant
Deficiency:**

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. This condition is intentional by management based upon the agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

Recommendation:

Whether or not it would be cost effective to cure a control deficiency is not a factor in applying Statement on Auditing Standards (SAS) 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Current Status: See repeat comment in current year audit.

Reference No.: 2010-2

Condition:

The City Court maintains a computerized system for tracking amounts received and disbursed for the Civil and Small Claims agency funds. However, this system is not being reconciled to the agency's general ledgers.

Recommendation:

We recommend that the existing computer system generate reports which will allow for an efficient reconciliation of the suit ledgers to the general ledger on a timely basis.

Current Status: See repeat comment in current year audit.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule for Louisiana Legislative Auditor
December 31, 2011
(Continued)

Reference No.: 2010-3

Condition: The City Court did not appropriately amend the budget for the General fund and Probation fund during the year. Actual expenditures exceeded budgeted expenditures by more than 5% for the 2010 year.

Recommendation: We recommend that the City Court appropriately amend its budgets, as needed, to comply with the Local Government Budget Act.

Current Status: No finding noted in current year audit.

Reference No.: 2010-4

Condition: During our audit, we noted that the City Court transferred \$200,000 from the Small Claims agency fund to its General fund to meet current operating needs. Since the Small Claims fund is an agency fund, it cannot be used to support the government's own operations.

Recommendation: We recommend that the City Court repay this amount from the General fund to the Small Claims fund. In addition, no transfers should be made in the future from agency funds to meet current operating needs.

Current Status: No finding noted in current year audit.

Reference No.: 2010-5

Condition: The City Court maintains a computerized system to track receipts for the Violations fund and disbursement of those receipts to the various recipient agencies. During our audit, we noted that receipts were not being entered into the subsidiary system correctly with regards to whether the receipt was in the form of cash, check, or credit card.

Recommendation: We recommend that the City Court implement procedures to ensure that receipts are posted properly in the subsidiary system, so that reports printed from that system are in agreement with the actual deposits made.

Current Status: The Court has a compensating control in place to reconcile daily work. No finding in current year audit.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2011
(Continued)

Reference No.: 2010-6

Condition: During our audit, we noted that the City Court did not have a process in place for ensuring that its deposits were adequately secured by one of its local depositing institutions. It was subsequently determined that the City Court's deposits were adequately secured as of December 31, 2010.

Recommendation: We recommend that the City Court establish procedures for ensuring that its deposits are adequately secured by each of its depositing institutions on a monthly basis.

Current Status: No finding noted in current year audit.

Corrective Action Plan For Current Year Audit Findings

There are two findings in the current year audit for the year ended December 31, 2011, as follows:

Reference No.: 2011-1

**Description of Significant
Deficiency:**

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. This condition is intentional by management based upon the agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

Recommendation:

Whether or not it would be cost effective to cure a control deficiency is not a factor in applying Statement on Auditing Standards (SAS) 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

(Continued)

City of Shreveport City Court
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2011
(Continued)

Corrective Action Planned: We agree that curing the deficiency of not having internal controls over the preparation of year-end adjusting entries and financial statements may not be cost effective or practical for the Court.

Name of Contact Person: Marilyn Smith

Anticipated Completion Date: September 30, 2012

Reference No.: 2011-2

Criteria: The City Court should have a system in place to properly account for amounts received and disbursed in the Civil and Small Claims agency funds.

Condition: The City Court maintains a computerized system for tracking amounts received and disbursed for the Civil and Small Claims agency funds. *However, this system is not being reconciled to the agency's general ledgers.*

Cause: The computerized system which the City Court utilizes is not currently generating reports which allow for the reconciliation of the Civil and Small Claims agency funds to the general ledger in an efficient manner.

Effect: Failure to reconcile the suit ledgers to the general ledger increases the risk that errors and / or irregularities may occur and not be detected.

Recommendation: We recommend that the existing computer system generate reports which will allow for an efficient reconciliation of the suit ledgers to the general ledger on a timely basis.

Corrective Action Planned: The Court agrees with this recommendation and we will continue to work with the Court's case management software vendor to get reports generated to assist us in this regard.

Name of Contact Person: Marilyn Smith

Anticipated Completion Date: September 30, 2012